



**THE McIFF FIRM**

A PROFESSIONAL CORPORATION

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Susan

April 10, 2008

DOGM

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Attn: Darron Haddock/Jim Allen/Lynn Kunzler

Gentlemen:

We thank you for your cooperation at the informal conference in your office with my clients David Penney and Heather Scholz concerning the cessation order that had been issued on their private mineral estate known as the Lucin Variscite Mine.

The meeting resulted in the following:

1. The cessation order was vacated because my client had not mined outside the permitted and bonded area. The permit, issued in 1995, was for 320 acres, and the acreage that is disturbed has had adequate bonding in place.
2. My clients and the DOGM inspector (Kunzler) and the BLM agreed to meet on site in the spring to re-calculate the disturbed area.
3. The parties have agreed to negotiate a revised reclamation contract.

Penny and Scholz have now met with Mr. Kunzler of DOGM, and Larry Garahana of the Salt Lake City BLM Office. The meeting occurred on March 18, 2008, at the mine site. The parties walked the boundary of the disturbance except for the north area which was calculated prior to the scheduled meeting. Both BLM and DOGM came up with the same acreage — a total of 3.1 acres for the main pit and 0.18 acres for the north boulder/berm area. Penny and Scholz accept these figures. The two acres total 3.28 acres.

In the future, Penney and Scholz would like to use the BLM calculation of the disturbed area. They reportedly requested this during the meeting at the mine and both representatives agreed. It was also apparently agreed that both the BLM and DOGM would be named in the bond, but physical possession would be retained by BLM. Is the stated approach acceptable to you?

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**DIV. OF OIL, GAS & MINING**

The existing bond appears complaint with the previous bond requirements, however, my clients understand that the bond amount will need to be reevaluated due to natural inflation. They will bond to allow a reasonable amount of room for growth of the mine. They propose to bond four acres at this time. Is this acceptable? Because of Penney's rights under the private mineral deed we question whether he needs to amend his permit.

As briefly discussed at the informal conference, Penney has been able to move around on his private mineral property without objection of the BLM, and providing he has in place an appropriate bond. He believes that he is currently in compliance. If we need to visit further about any of these matters. please let me know. Also please confirm your acceptance of the suggested approaches.

Sincerely,

A handwritten signature in black ink, appearing to read 'K.L. McIff', with a large, stylized flourish at the end.

K.L. McIff

KLM/nn

c.c. Larry Garahana SLFO BLM

c.c. David Penney & Heather Scholz